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## OnePoint Communications Corp.

## Notes to Consolidated Financial Statements (Continued)

## 10. Long-Term Debt (continued)

Notes. These Pledged Securities are pledged to a trustee for the benefit of the holders of the Senior Notes, and secure a portion of the Company's obligations under the indenture with respect to the Unit Offering (the "Indenture"). Pursuant to the restricted securities agreement entered into in connection with the Unit Offering, the trustee is allowed to release Pledged Securities in excess of the amount required to fund the first seven scheduled interest payments on the Senior Notes, upon request by the Company.

As of November 6, 1998, the date on which the Senior Notes and the Warrants became separable, the Company recognized a discount of \$5,300 on the book value of the Senior Notes relating to the Warrants and will amortize this amount over the life of the Senior Notes. Accordingly, for the years ended December 31, 1999 and 1998, \$299 and \$63, respectively, of amortization of the discount of the Senior Notes resulting from the issuance of the Warrants has been recorded in the accompanying financial statement.

The Company completed open market purchases of Senior Notes having an aggregate principal amount of \$92,250 between November 9, 1998 and June 9, 1999 at various prices for an aggregate total cost of approximately \$47,947, including accrued interest and transaction fees. For the years ended December 31, 1999 and 1998, the Company recognized an extraordinary gain on the early extinguishment of this debt of \$20,432 and \$19,799, respectively. Pursuant to the restricted securities agreement entered into in connection with the Unit Offering, the trustee of the Pledged Securities had released approximately \$38,200 upon request by the Company.

The Senior Notes bear interest annually at 14 1/2% from the date of issuance. Interest payments are due on June 1 and December 1 of each year, commencing on December 1, 1998. During the years ended December 31, 1999 and 1998, the Company paid \$13,256 and \$10,656, respectively, of interest related to the Senior Notes and paid approximately \$390 of liquidated damages as described below. The Company is not required to make mandatory redemption or sinking fund payments under the Senior Notes. The Senior Notes generally are not redeemable at the option of the Company at anytime prior to June 1, 2003. Thereafter, the Senior Notes will be subject to redemption at any time at the option of the Company, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, plus any unpaid interest and liquidated damages, if any.

	Percentage
June 1, 2003 to May 31, 2004	107.250%
June 1, 2004 to May 31, 2005	104.833%
June 1, 2005 to May 31, 2006	102.417%
June 1, 2006 and thereafter	100.000%

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## OnePoint Communications Corp.

## Notes to Consolidated Financial Statements (Continued)

## 10. Long-Term Debt (continued)

In addition, the Company may redeem up to 35% of the aggregate principal amount of issued Senior Notes at a redemption price of 114.5% of the principal amount, plus unpaid interest and liquidated damages, if any, with the net cash proceeds of one or more public or private offerings of common stock generating net cash proceeds to the Company of at least \$20,000 provided at least 65% of the aggregate principal amount of Senior Notes issued remain outstanding immediately after such redemption.

In the event of a change in control, as defined in the Indenture, the Company will be required to make an offer to each holder of Senior Notes to repurchase all or any part of the Senior Notes at 101% of the aggregate principal amount, plus unpaid interest and liquidated damages, if any.

Amounts outstanding under the Senior Notes at December 31, 1999 and 1998 were \$80,546 and \$130,003 respectively, net of a discount of \$2,204 and \$3,997, respectively, relating to the value assigned to the Warrants. Interest accrued under the Senior Notes at December 31, 1999 and 1998 was \$1,019 and \$1,678, respectively.

The Company is required to comply with specified covenants described in the Senior Notes Indenture. These covenants include limitations on sales of subsidiaries and certain assets, mergers, the acquisition of additional debt, the distribution of capital and other activities.

In connection with the May 1998 Unit Offering, the Company entered into a Registration Rights Agreement (the "Registration Rights Agreement") pursuant to which it agreed to file and use its best efforts to cause to become effective the registration statement relating to an offer to exchange the Senior Notes for substantially identical notes which are not subject to restrictions on transfer that are applicable to the Senior Notes. The Company filed the registration statement on September 18, 1998, as required under the Registration Rights Agreement. The Registration Rights Agreement provides; however, that if the registration statement has not been declared effective by the Securities and Exchange Commission on or before November 17, 1998, then liquidated damages will accrue with respect to the Senior Notes. Such liquidated damages accrued at a rate of \$0.05 per week per \$1,000 principal amount of Senior Notes for the first ninety days beyond November 17, 1998, and thereafter increase by \$0.05 per week per \$1,000 outstanding principal amount of the Senior Notes each ninety-day period, up to a maximum of \$0.50 per week per \$1,000 principal amount of Senior Notes. Liquidated damages ceased to accrue on August 6, 1999 when the registration statement was declared effective. The Company paid, on December 1, 1999, a total of \$390 in total liquidated damages.

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## OnePoint Communications Corp.

## Notes to Consolidated Financial Statements (Continued)

## 10. Long-Term Debt (continued)

## Term Note

On March 25, 1998, the Company entered into a term note with a bank (the "Credit Facility"). Under the terms of the Credit Facility, the Company may borrow up to \$9,000. The interest rate on borrowings under the Credit Facility is, at the Company's election: (i) the Lender's prime rate less 0.75%; (ii) LIBOR plus 50 basis points; or (iii) the federal funds rate (as defined) plus 50 basis points. As of December 31, 1999, the effective interest rate on the Credit Facility was approximately 5.75% per annum. Through December 1998, the Company borrowed \$8,750 with the additional \$250 of availability securing a letter of credit. Principal payments began on January 1, 1999 with all balances payable on or before January 1, 2003. The Credit Facility has mandatory repayment provisions upon certain events. The Credit Facility is collateralized by certain of the Company's assets and is guaranteed by SBC. As of December 31, 1999, the outstanding principal balance and accrued interest was \$8,437 and \$46 respectively on this Credit Facility.

On August 30, 1999 the Company established an additional borrowing facility (the "Second Credit Facility") with the same bank enabling the Company to borrow up to an additional \$16,000 that matures on January 1, 2004. The terms of the Second Credit Facility are similar to those contained in the previous agreement. On the same date the first Credit Facility was amended in order to make the default provisions consistent with the Second Credit Facility. As of December 31, 1999, the outstanding principal balance and accrued interest of the Second Credit facility was \$14,434 and \$80 respectively.

The following future minimum debt payments are required for the Company's borrowings as of December 31, 1999:

2000	\$ 980
2001	3,210
2002	7,820
2003	8,507
Thereafter	85,104
	-----
	105,621
Less remaining debt discounts attributable to warrants issued	(2,204)
	-----
	\$ 103,417
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## OnePoint Communications Corp.

## Notes to Consolidated Financial Statements (Continued)

## 11. Stockholder's Equity

Pursuant to the Company's Recapitalization as described in Note 1, the Company has authorized capital stock consisting of 2,000,000 shares of \$0.01 par value common stock ("Common Stock") and 35,000 shares of \$1.00 par value preferred stock ("Preferred Stock"). Upon liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to receive pro rata the assets of the Company, which are legally available for distribution, after payment of all debts and other liabilities and subject to the prior rights of any holders of Preferred Stock. Each outstanding share of Common Stock is entitled to vote on all matters submitted to a vote of stockholders. Subject to the prior rights of the holders of Preferred Stock, the holders of outstanding shares of Common Stock are entitled to receive dividends as determined, from time to time, by the Board of Directors. The Indenture restricts the ability of the Company to pay dividends on the Common Stock.

The Preferred Stock is not entitled to receive dividends; however, the Company can not redeem, purchase, or otherwise acquire directly or indirectly any junior securities or pay or declare dividends or make any distribution upon any junior securities so long as the Preferred Stock is outstanding. The Preferred Stock is not entitled to vote on matters upon which holders of the Common Stock are entitled to vote unless the Company is non-compliant with certain provisions of the Company's amended and restated articles of incorporation (an "Event of Noncompliance"), at which time the holders of Preferred Stock are entitled to elect an additional member of the Board of Directors who shall have voting rights equal to the total number of board members plus one. The Preferred Stock is redeemable by the Company at any time in whole or in part, and the holders thereof have the right to demand redemption if an Event of Noncompliance occurs, at a redemption price of \$1,000 per share. Upon liquidation, dissolution or winding up of the Company, each holder of Preferred Stock is entitled to be paid before any distribution or payment is made with respect to any other class of the Company's capital stock, an amount in cash equal to the aggregate liquidation value of all Preferred Stock held by such holder. "Liquidation Value" for any share of Preferred Stock is equal to \$1,000 per share. The Preferred Stock does not accrue dividends, and is not convertible into any other class of capital stock. The Preferred Stock is entitled to certain anti-dilution rights in the event of a stock split, dividend, combination, or other recapitalization.

## 12. Stock Appreciation Rights Plan

During 1998, the Company authorized the issuance of up to 166,669 stock appreciation rights ("SARs") pursuant to the OnePoint Stock Appreciation Rights Plan (the "Plan") - the Company granted a total of 44,200 and 71,719 SARs with an exercise price of \$67.50 or \$135.00 per SAR in 1998 and 1999, respectively, to certain officers and employees of the Company pursuant to agreements with each grantee. All SARs issued have an expiration date of ten years and are

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## OnePoint Communications Corp.

## Notes to Consolidated Financial Statements (Continued)

## 12. Stock Appreciation Rights Plan (continued)

subject to certain vesting schedules, typically five years. The Company estimates the market value of SARs issued based on a capitalization of discounted cash flow valuation model, as adjusted for the current general market conditions and specific company information. The Company recognized compensation expense related to these stock appreciation rights totaling approximately \$4,193 and \$0 in 1999 and 1998 respectively, in the accompanying financial statements. No form of stock based compensation was issued prior to 1998.

	Year ended December 31		
	1999	1998	1997
Stock appreciation rights outstanding, beginning	69,944	--	--
Granted	44,200	71,919	--
Exercised	--	--	--
Forfeited	(30,625)	(1,975)	--
Stock appreciation rights outstanding, ending	83,519	69,944	--

The Company had no SARs that were exercisable as of December 31, 1999. The weighted average grant-date estimated market value of common stock underlying the SARs granted during the years ended December 31, 1999 and 1998 was approximately \$101.26 and \$67.50 per share, respectively. Had the Company adopted the employee stock compensation measurement provisions of Statement No. 123, net loss and basis net loss per share, on a pro forma basis assuming no other adjustments, would have been approximately the same as reported amounts.

The company's estimation of the fair value of stock appreciation rights granted during 1998 was estimated using the Black-Scholes option pricing model. The following assumptions were used for grants made in 1998: no dividend yield, zero volatility, risk-free interest rate of 6 percent, and an expected life of ten years. For 1999 the Company valued the stock based on the valuation performed in conjunction with the CAIS Internet, Inc. investment which yielded a value of \$257.40 per share.

## 13. Related Party Transactions

## Receivable

As of December 31, 1999 and 1998, the Company had receivable balances from Mid-Atlantic, primarily resulting from a shared cash receipts lockbox, totaling approximately \$266 and \$653, respectively.

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## OnePoint Communications Corp.

## Notes to Consolidated Financial Statements (Continued)

## 13. Related Party Transactions (continued)

## Other

Certain officers of the Company are officers of VIC and VIC2.

The Company shared certain operations with Mid-Atlantic, a company in which the Company holds a 41.4% interest. The Company paid approximately \$266, \$836 and \$250 for services provided by Mid-Atlantic in 1999, 1998 and 1997, respectively.

At December 31, 1999 and 1998, the Company had accrued \$0 and \$208 in accounts payable related to reimbursement for seconded employees provided by SBC. SBC has guaranteed certain leases and other obligations of the Company.

The Company entered into a professional services agreement with The VenCom Group, Inc., ("VenCom") in April 1998, pursuant to which VenCom provides financial and management consulting services and manages the Company's relationships with VIC2 and SBC. Under this agreement, VenCom receives an annual management fee of \$750 and a fee of 2% of the amount of any capital raising activity or acquisition activity of the Company, including debt and equity placements. Fees payable under the agreement are subject to an annual cap of \$900, provided that if the amount paid in any calendar year is less than \$900, the annual cap in the next calendar year shall be equal to the difference between \$1,800 and the amount paid in the previous calendar year and further provided that amounts owed in excess of the cap in any year may be paid in one or more subsequent years if and to the extent they are within the cap in such years. The Company accrued consulting fees payable of \$3,500 from the Unit Offering, Credit Facility, \$320 from the Second Credit Facility, \$58 from the RCP Acquisition and \$200 from the sale of VIC-RMTS-DC, LLC interest to SBC of which, approximately \$3,778 and \$3,350 remained unpaid as of December 31, 1999 and 1998, respectively. Amortization of this debt issuance cost has been recognized as a component of interest expense. Under this agreement, the Company paid VenCom \$900 during 1999 and 1998.

## 14. Income Taxes

The Company was treated as a partnership for income tax purposes until incorporation in April 1998. Accordingly, no provision or benefit for income taxes has been included in the financial statement for any period prior to April 1998 as taxable income or loss passes through to and is reported by unit-holders individually. As of December 31, 1998, the Company had net tax operating loss carryforwards of approximately \$47,546 and \$20,350, respectively. These losses were generated from April 1998 through December 31, 1999 will expire through 2018 and 2019.

Net operating loss carryforwards may be used to offset future taxable income generated by the Company. The Company's ability to utilize \$410 of the net operating losses attributable to one of its subsidiaries will be limited to the future taxable income, if any, of that subsidiary prior to the expiration date of the carryforward period as the subsidiary is not included in the Company's consolidated income tax return. All loss carryforwards may be limited in the future in the event of significant changes in the ownership of the Company.

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## OnePoint Communications Corp.

## Notes to Consolidated Financial Statements (Continued)

## 14. Income Taxes (continued)

The Company had net deferred tax assets of approximately \$27.4 million and \$8.3 million at December 31, 1999 and 1998 respectively. The components of net deferred tax assets consist primarily of net operating loss carryforwards and current nondeductible reserves. The benefit of deferred tax assets are recorded to the extent that management believes the realization of such deferred tax assets to be "more likely than not." As of December 31, 1999 and 1998, the Company has incurred losses since inception and management does not believe taxable income will be achieved in the near future. Accordingly, management has fully reserved the net deferred tax assets due to uncertainty of the ultimate realization of any benefit from such assets.

The effective income tax rate differs from the statutory federal income tax rate due principally to the following:

	December 31 1999	December 31 1998	December 31 1997
Federal tax rate (benefit)	34.0%	(34.0)%	-- %
State tax, net of federal tax	(5.6)	(7.0)	--
Valuation allowance	40.5	33.8	--
Nondeductible expenses	0.1	6.9	--
Change in entity tax status	--	(0.1)	--
Other	--	0.4	--
Effective rate	0.0%	0.0%	-- %

The net deferred tax liabilities in the accompanying balance sheets include the following components:

	December 31 1999	December 31 1998
Deferred tax assets:		
Intangibles	\$ 2,541	\$ --
Deferred income	3,580	--
Incentive compensation	1,702	--
Net operating losses	19,296	8,258
Other	1,242	88
	28,361	8,346

	December 31 1999	December 31 1998
Deferred tax liabilities:		
Fixed assets	\$ 978	\$ --
Net deferred tax asset	27,383	8,346
Valuation allowance	(27,383)	(8,346)
Net deferred tax asset	\$ --	\$ --

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## OnePoint Communications Corp.

## Notes to Consolidated Financial Statements (Continued)

## 15. Fringe Benefit Plans

The Company has a 401(k) Savings Plan and Trust for the benefit of all employees who meet certain eligibility requirements. The plan documents provide for the Company to make defined contributions as well as matching and other discretionary contributions, as determined by the Board of Directors. The Company contributed \$152, \$47, and \$0 to the 401(k) Savings Plan and Trust for the years ended December 31, 1999, 1998 and 1997, respectively.

## 16. Leases

The Company currently leases office space and equipment under noncancelable operating leases. The future minimum lease payments under noncancelable operating leases at December 31, 1999, are as follows:

December 31,

2000	\$ 3,758
2001	3,928
2002	3,963
2003	3,412
Thereafter	17,749
	-----
Total	\$ 32,810
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Most leases provide for the pass-through of increases in operating expenses and real estate taxes. Rent expense for 1999, 1998 and 1997 was approximately \$2,643, \$1,107 and \$629, respectively.

## 17. Other Information

During the years ended December 31, 1999, 1998 and 1997, the Company made cash payments of \$13,256, \$10,656 and \$0 for interest, respectively. During 1998, the Company recapitalized long-term debt totaling \$1,500 through the issuance of preferred stock. During 1999, 1998 and 1997 the Company made no cash payments for income taxes.

The Company is from time to time party to litigation arising in the ordinary course of its business. The Company believes that such litigation will not have a material impact on the Company's financial position or results from operations.

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## OnePoint Communications Corp.

## Notes to Consolidated Financial Statements (Continued)

## 17. Other Information (continued)

Approximately 74%, 70% and 50% of the Company's cost of revenues for the years ended December 31, 1999, 1998 and 1997, respectively, were purchased from five suppliers, each of whom supplied between 6% and 20% of the total cost of revenues during such periods.

## 18. Arbitration Proceedings

On August 6, 1998, OPC Holdings made a demand for arbitration of certain disputes under the Mid-Atlantic operating agreement. The arbitration demand sought the resolution of several disputes between the parties, including among other things, whether the Company was entitled to disclose Mid-Atlantic's financial results in connection with the Company's exchange offer registration statement. On January 15, 1999, OPC Holdings, Mid-Atlantic and other related parties entered into a Settlement Agreement which resolved the disputes covered by the arbitration demand. The Settlement Agreement provides, among other things, that Mid-Atlantic would provide the necessary financial information regarding Mid-Atlantic for the exchange offer and OPC Holdings' periodic filings under the Security Exchange Act of 1934, as amended. During the fourth quarter of 1999, the parties engaged in settlement discussions, ultimately leading to the execution of a settlement and dismissal of the claims asserted. In addition, and in connection therewith, OPC Holdings consented to the sale by Mid-Atlantic of the assets of another joint venture between the parties, Mid-Atlantic Telcom Plus, LLC ("Cableco"), to Comcast Corporation. OPC Holdings released Mid-Atlantic from any claims it may have currently or in the future relating to the Comcast transaction.

Net proceeds to the Company from the sale of the assets of the Cableco are estimated to be \$34.0 million, subject to adjustments. The transaction closed during March 2000. The Company received approximately \$22.4 million in March 2000 and anticipates receiving an additional \$11.7 million of contingent consideration and hold-back upon expiration of such periods over the subsequent 12 months.

## 19. Segment Information

The Company's reportable segments are segregated into business units that offer services to four distinct geographic regions: (i) Atlanta, Georgia and Charlotte/Raleigh/Durham, North Carolina (the "Southeast Region"), (ii) Chicago, Illinois (the "Central Region"), (iii) Denver, Colorado and Phoenix, Arizona (the "Western Region"), and (iv) Washington, DC/Baltimore, MD/Philadelphia, PA (the "Mid-Atlantic Region"). The Company's services to each segment include a combination of telephony, video and/or high-speed Internet access services.

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## OnePoint Communications Corp.

## Notes to Consolidated Financial Statements (Continued)

## 19. Segment Information (continued)

The Company evaluates performance and allocates resources based on operating profit or loss. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Company and its subsidiaries carry their investments in affiliates on the equity method of accounting. Accordingly, certain segments have recognized equity in the earnings of other segments and their proportionate share of the assets and liabilities of investments in affiliates. All such amounts have been included in the reported financial information for the business segments. The Company's segments do not provide services to each other; therefore, there were no inter-segment sales or related cost of sales during the periods presented.

The following table provides certain financial information for each business segment:

	1999	December 31 1998	1997
<b>Revenues:</b>			
Central Region	\$ 6,187	\$ 2,690	\$ --
Mid-Atlantic Region	4,653	1,660	43
Southeast Region	6,129	1,670	--
Western Region	5,107	911	--
Other	62	22	--
	<u>\$ 22,138</u>	<u>\$ 6,953</u>	<u>\$ 43</u>
<b>Loss from operations:</b>			
Central Region	(15,705)	\$ (5,817)	\$ (3,138)
Mid-Atlantic Region	(12,571)	(11,772)	(4,686)
Southeast Region	(11,841)	(6,938)	(2,853)
Western Region	(11,601)	(5,585)	(2,411)
Other	(4,877)	(1,028)	25
	<u>\$ (56,595)</u>	<u>\$ (31,140)</u>	<u>\$ (13,063)</u>
<b>Identifiable Assets:</b>			
Central Region	\$ 20,600	\$ 15,515	\$ 1,039
Mid-Atlantic Region	4,190	4,378	1,860
Southeast Region	3,306	2,206	595
Western Region	9,580	908	465
Other	43,732	126,300	15,722
	<u>\$ 81,408</u>	<u>\$ 149,307</u>	<u>\$ 19,681</u>

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## OnePoint Communications Corp.

## Notes to Consolidated Financial Statements (Continued)

## 19. Segment Information (continued)

	1999	December 31 1998	1997
Capital expenditures:			
Central Region	\$ 6,926	\$ 4,677	\$ 816
Mid-Atlantic Region	595	1,200	1,004
Southeast Region	376	837	364
Western Region	2,366	390	199
Other	2,419	2,270	57
	<u>\$12,682</u>	<u>\$ 9,374</u>	<u>\$ 2,440</u>

	1999	December 31 1998	1997
Depreciation and amortization:			
Central Region	\$ 1,565	\$ 684	\$ 94
Mid-Atlantic Region	347	287	57
Southeast Region	197	111	30
Western Region	166	74	20
Other	785	299	34
	<u>\$ 3,060</u>	<u>\$1,455</u>	<u>\$ 235</u>

The following table provides gross revenues on a service line basis:

	1999	December 31, 1998	1997
Revenues:			
Telephony	\$17,475	\$4,463	\$ 43
Video	4,601	2,462	-
High-speed Internet	62	28	-
	<u>\$22,138</u>	<u>\$6,953</u>	<u>\$ 43</u>

## 20. Consolidating Condensed Financial Statements

The Company's consolidating condensed financial statements for the (i) Company, (ii) its wholly-owned subsidiaries (OnePoint Communications-Illinois LLC, OnePoint Communications-Colorado LLC, OnePoint Communications-Georgia LLC and OnePoint Communications Holdings, LLC), on a combined basis, which are guarantors under the Senior

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## OnePoint Communications Corp.

## Notes to Consolidated Financial Statements (Continued)

## 20. Consolidating Condensed Financial Statements (continued)

Notes, and (iii) its majority owned subsidiaries (VIC-RMTS-DC, LLC and OnePoint Services, LLC), on a combined basis, which are a guarantors under the Senior Notes as required by the Securities and Exchange Commission's Staff Accounting Bulletin No. 53 follows.

The Consolidating Condensed Balance Sheets  
as of December 31, 1999 and 1998

	Parent	Wholly-Owned Guarantor Subsidiaries	Majority-Owned Guarantor Subsidiaries	Eliminations	Consolidated Total
December 31, 1999					
Current assets	\$ 21,420	\$ 4,681	\$ 3,634	\$ -	\$ 17,318
Noncurrent assets	49,968	26,043	3,883	(30,223)	64,080
Current liabilities	14,733	4,733	3,674	-	73,142
Noncurrent liabilities	111,688	630	171	-	112,489
Redeemable preferred stock	35,000	-	-	-	35,000
Minority interests	229	812	-	-	1,041
Total stockholders' equity/ (deficit)	\$ (90,261)	\$ 21,351	\$ 4,672	\$ (30,223)	\$ (90,261)
December 31, 1998					
Current assets	\$ 24,769	\$ 2,141	\$ 945	\$ -	\$ 27,875
Noncurrent assets	119,413	23,790	3,413	(27,186)	121,432
Current liabilities	7,553	7,790	1,063	-	12,366
Noncurrent liabilities	138,503	310	-	-	138,813
Redeemable preferred stock	35,000	-	-	-	35,000
Minority interests	-	-	-	-	-
Total unit-holders' equity (deficit)	(36,872)	23,871	3,313	(27,186)	(36,872)

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## OnePoint Communications Corp.

## Notes to Consolidated Financial Statements (Continued)

## 20. Consolidating Condensed Financial Statement (continued)

Consolidating Condensed Statements of Operations  
for the Years Ended December 31, 1999, 1998 and 1997

	Parent	Wholly- owned Guarantor Subsidiaries	Majority- owned Guarantor Subsidiaries	Eliminations	Consolidated Total
For the Year Ended December 31, 1999					
Revenues	\$ -	\$ 17,069	\$ 5,069	\$ -	\$ 22,138
Cost of revenues	-	15,087	6,019	-	22,006
Loss from continuing operations before extraordinary items	(73,136)	(38,931)	(12,892)	51,733	(73,156)
Net loss	\$ (52,726)	\$ (33,287)	\$ (13,638)	\$ 46,946	\$ (52,726)
For the Year Ended December 31, 1998					
Revenues	\$ -	\$ 3,293	\$ 1,660	\$ -	\$ 6,953
Cost of revenues	-	5,925	2,840	-	8,765
Loss from continuing operations before extraordinary items	(44,625)	(33,967)	(11,772)	45,339	(44,625)
Net loss	\$ (24,826)	\$ (23,367)	\$ (11,772)	\$ 45,339	\$ (24,826)
For the Year Ended December 31, 1997					
Revenues	\$ -	\$ -	\$ 43	\$ -	\$ 43
Cost of revenues	-	-	83	-	83
Loss from continuing operations before extraordinary items	(16,091)	(16,133)	(4,686)	20,821	(16,091)
Net loss	\$ (16,091)	\$ (16,133)	\$ (4,686)	\$ 20,821	\$ (16,091)

## 21. Subsequent Events

In February 2000, SBC Comventures, Inc., a wholly-owned subsidiary of SBC, invested \$5.0 million to obtain additional 12% direct ownership interest in a majority-owned subsidiary of the Company, VIC-RMTS-DC, LLC. This transaction will result in an additional deferred gain of \$3.7 million.

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## OnePoint Communications Corp.

## Notes to Consolidated Financial Statements (Continued)

## 21. Subsequent Events (continued)

In March of 2000, Mid-Atlantic sold substantially all of its assets, net of certain liabilities to Comcast Corporation. The Company's proportionate share of the net proceeds related thereto was approximately \$34.0 million, of which approximately \$11.6 million is subject to certain earn-out provisions. The Company will recognize a gain of approximately \$20.0 million in the first quarter of 2000 related to this transaction, after giving effect to the carrying value of its investment in and amounts due from Mid-Atlantic of approximately \$2.2 million of \$0.2 million, respectively. The Company will recognize the remaining \$11.6 million gain attributable to the contingent sales price in the period such amounts are determinable.

In March 2000, the Company purchased a 1% redeemable equity interest in ComPlus, LP, and affiliated vendor of engineering and installation services, in exchange for \$100 in cash. This investment secured the resources to engineer and install the Company's network. ComPlus, LP also issued a secured promissory note, payable on demand to the Company in exchange for \$900 in cash. VIC owns 99% of the equity interests of ComPlus, LP.

As the Company begins deployment of its IP-based network capable of providing a full range of voice, data and video services, the Company is in the process of divesting its private cable assets in Illinois and Georgia. During the first quarter of 2000, the Company received multiple offers to purchase its wholly-owned subsidiary, OnePoint Communications-Illinois, LLC.

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OnePoint Communications Corp.  
Consolidated Statements of Operations  
(Dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2000	1999
Revenue	\$ 3,683	\$ 4,419
Cost of revenue	9,328	4,177
	155	242
Expenses:		
Selling, general and administrative	15,174	10,118
Depreciation and amortization	958	655
Loss from operations	(15,977)	(10,531)
Other income (expense)		
Interest income	583	339
Interest expense	(4,094)	(4,174)
Other	-	(466)
	(19,488)	(14,232)
Equity in income and (losses) of unconsolidated subsidiaries	10,115	(870)
Income/(loss) before extraordinary item	627	(15,102)
Extraordinary gain on bond repurchases	-	12,427
Net income/(loss)	\$ 627	\$ (2,675)
Earnings (loss) per share - Basic:		
Income/(loss) before extraordinary item	\$ 0.63	\$ (15.10)
Extraordinary item	-	12.42
Net income/(loss)	\$ 0.63	\$ (2.68)
Earnings (loss) per share - assuming dilution:		
Income/(loss) before extraordinary item	\$ 0.56	\$ (15.10)
Extraordinary item	-	12.42
Net income/(loss)	\$ 0.56	\$ (2.68)
Shares used in computing loss per share:		
Weighted average common shares - basic	1,000,000	1,000,000
Weighted average common shares - assuming full dilution	1,127,417	1,000,000

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## OnePoint Communications Corp.

Consolidated Balance Sheets  
(Dollars in thousands, except per share data)

	March 31, 2000	December 31, 1999 (*)
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,470	\$ 6,608
Restricted cash	135	134
Investment in marketable securities, current	14,437	4,230
Accounts receivable, net	4,395	2,722
Affiliate payable	781	266
Prepaid expenses	2,366	3,339
<b>Total current assets</b>	<b>24,584</b>	<b>17,319</b>
Investment in marketable securities, non-current (\$23,361 and \$21,350, respectively at March 31, 2000 and December 31, 1999, respectively)	27,038	21,570
Investments in unconsolidated subsidiaries	999	2,240
Property and equipment, net	23,081	20,378
Intangible assets, net	6,541	10,809
Other assets	6,402	5,993
<b>Total assets</b>	<b>\$ 91,065</b>	<b>\$ 81,408</b>
<b>Liabilities, Redeemable Preferred Stock and Stockholder's (Deficit)</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expense	\$ 18,213	\$ 17,232
Affiliate payable	4,544	3,778
Accrued interest payable	4,900	1,152
Current portion of long term debt	1,528	980
<b>Total current liabilities</b>	<b>29,185</b>	<b>23,142</b>
Deferred obligations	172	854
Deferred gain on sale of equity interest in consolidated subsidiary	12,932	9,188
Minority interest in consolidated subsidiaries	2,293	1,041
Long term debt	101,109	102,437
Redeemable preferred stock, \$1.00 par value, 35,000 shares authorized, 35,000 shares issued and outstanding at redemption value	35,000	35,000
<b>Stockholder's deficit:</b>		
Common stock, \$0.01 par value, 2,000,000 shares authorized, 1,000,000 shares issued and outstanding at March 31, 1999 and December 31, 1999	10	10
Additional capital	6,870	6,870
Notes receivable - stockholder	(11,300)	(1,580)
Accumulated deficit	(59,051)	(93,679)
Other comprehensive income (loss)	33	35
<b>Total stockholder's (deficit)</b>	<b>(89,111)</b>	<b>(90,264)</b>
<b>Total liabilities, redeemable preferred stock and stockholder's (deficit)</b>	<b>\$ 91,065</b>	<b>\$ 81,408</b>

(\*) The balance sheet at December 31, 1999 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

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## OnePoint Communications Corp.

Consolidated Statements of Cash Flow  
(Dollars in thousands)

	Three Months Ended March 31,	
	2000	1999
Operating activities		
Net loss	\$ 627	\$ (2,475)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	958	655
Amortization of premium (discount) of securities acquired included in interest income	(312)	(323)
Amortization of debt discount issuance cost and warrants included in interest expense	310	179
Amortization of developer payments included in reselling costs	139	472
Losses in equity of interest of unconsolidated investments	792	870
Extraordinary gain on bond repurchases	-	(12,427)
Deferred gain on sale of investments	1,744	-
Unrealized loss on investments in marketable securities	-	459
Change in allowance for doubtful accounts	16	64
Changes in operating assets and liabilities:		
Accounts receivable	(1,887)	(521)
Prepaid expenses	444	(1,036)
Other assets	34	-
Affiliates payable	766	(20)
Affiliates receivable	(515)	494
Accounts payable and accrued expenses	991	(789)
Accrued interest	3,740	3,181
Net cash provided by (used in) operating activities	9,132	(11,634)
Investing activities		
Restricted cash, net	-	5,070
Acquisition of intangible assets	1	-
Purchase of equity instruments	1,348	-
Change in minority interest	1,256	-
Proceeds from sale of marketable securities	21,396	77,401
Purchase of marketable securities	(31,594)	(6,223)
Acquisition of property and equipment	(7,542)	(2,619)
Net cash provided by (used in) investing activities	(11,223)	30,629
Financing activities		
Proceeds from issuance of long-term debt	(980)	-
Repayment of long-term debt	(828)	(18,107)
Net cash (used in) provided by financing activities	(1,737)	(18,107)
Net increase (decrease) in cash	(3,828)	283
Cash at the beginning of period	6,658	5,730
Cash at the end of period	\$ 2,830	\$ 6,013

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**Schedule 3.7 – Litigation**

1. Prince George's County, Maryland v. VIC-RMTS-DC, LLC, Circuit Court for Prince George's County, Maryland (complaint served July 28, 2000)

Prince George's County, Maryland has filed an action seeking to collect allegedly delinquent personal property taxes (with penalties and interest) in the amount of \$78,866.66. OnePoint Communications Corp. erroneously paid approximately \$60,000 of taxes in its own name rather than in the name of VIC-RMTS-DC, LLC. OnePoint has been informed by counsel for Prince George's County that it will receive a refund for its payment of these taxes. VIC-RMTS-DC will pay amounts that it properly owes, which is approximately \$80,000, by August 31, 2000. Steps have been taken to have the suit formally dismissed.

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### **Schedule 3.8(a) – Material Change**

As the Company deploys its IP-based network capable of providing a full range of voice, data and video services, the Company is in the process of divesting its private cable assets in Illinois and Georgia. In June 2000, the Company executed a definitive agreement to sell the video and other related assets of its wholly-owned subsidiary, OnePoint Communications-Illinois, LLC to 21<sup>st</sup> Century Cable TV of Chicago, Inc.

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**Schedule 3.8(d) - Repurchase**

In April 2000, OnePoint Communications Holdings, LLC repurchased a 24% ownership interest in its majority-owned subsidiary, VIC-RMTS-DC, LLC from SBC Comventures, Inc. for \$10.4 million.

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**Schedule 3.8(e) – Compensation or Benefits Payments****Anthony DeFarno:**

Retention bonus of \$20,000 subject to a) the acquisition of OnePoint Communications – Illinois or a substantial portion of its assets by an unrelated company and b) that he facilitates the transition for six (6) months after the acquisition.

**Michael Thompson and other key video streaming employees:**

Key employee retention pool of \$500,000 in connection with acquisition of video streaming technology resources payable over a two-year period as follows:

- First installment at \$102,500 (minus previous deposit of \$25,000)
- Second installment of \$102,500 following 90 days of employment
- Following six installments of \$49,167 are payable quarterly beginning six months after hire

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**Schedule 3.8(f) – Modification of Benefits or Payment Plans**

OP paid certain bonuses in May 2000 and expects to pay additional bonuses in July 2000. The aggregate amount of the bonuses to be paid were accrued in 1999, and reserves for such bonus payments were reflected in the OP financial statements.

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**Schedule 3.8(g) – Sale of Assets and Acquisitions**

As the Company deploys its IP-based network capable of providing a full range of voice, data and video services, the Company is in the process of divesting its private cable assets in Illinois and Georgia. In June 2000, the Company executed a definitive agreement to sell the video and other related assets of its wholly-owned subsidiary, OnePoint Communications-Illinois, LLC to 21<sup>st</sup> Century Cable TV of Chicago, Inc.

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## Schedule 3.8(g) - Sale of Assets and Acquisitions

<u>Invoice Date</u>	<u>Asset Category</u>	<u>Additions</u>	<u>Deletions</u>	<u>Vendor</u>
4/3/00	Leasehold Improvements	\$400,245.20		wire for leaseholdimprovements
4/4/00	Installation Material	1,366.84		Andrew Corporation
4/4/00	AZ Switch - Outside Plant/Prof Serv	7,470.00		ComPlus
4/4/00	AZ Switch - Outside Plant/Prof Serv	7,470.00		ComPlus
4/4/00	AZ Switch - Outside Plant/Prof Serv	7,470.00		ComPlus
4/4/00	AZ Switch - Sub Elect/RCC	26,160.65		Remote Switch Systems, Inc.
4/4/00	Other PC/LAN	7,728.08		Timebridge Technologies, Inc.
4/5/00	Software Purchases	270.79		Comptroller of the Treasury
4/5/00	Antennas	40.14		IL Dept of Revenue
4/5/00	Head-End Electronics	28.50		IL Dept of Revenue
4/5/00	Head-End Electronics	66.13		IL Dept of Revenue
4/5/00	Installation Labor	146.02		IL Dept of Revenue
4/5/00	Installation Labor	471.71		IL Dept of Revenue
4/5/00	Installation Labor	2,802.97		IL Dept of Revenue
4/5/00	Installation Material	541.86		IL Dept of Revenue
4/5/00	Installation Material	544.68		IL Dept of Revenue
4/5/00	Telecommunications Equipment	20,811.21		matrix technologies
4/6/00	Telecommunications Equipment	37,280.12		Lucent Technologies
4/6/00	AZ Switch - Sub Elect/Enclosure		1,212.60	Rittal Corporation
4/7/00	Installation Material	1,366.84		Andrew Corporation
4/7/00	Leasehold Improvements	6,720.00		Business Office Systems
4/7/00	Personal Computers	3,622.58		dell
4/7/00	Personal Computers	3,622.58		dell
4/7/00	Furniture & Office Equipment	4,175.00		Envision
4/10/00	Installation Labor	6,000.00		a.i.b.s. construction
4/10/00	Installation Material	8,475.06		AML Wireless
4/10/00	Underground Cable	3,261.80		Anicom
4/10/00	AZ Switch - Outside Plant - Site Prep	67.23		Krone, Inc.
4/10/00	AZ Switch - Outside Plant - Site Prep	67.23		Krone, Inc.
4/12/00	AZ Switch - Outside Plant - Site Prep	67.23		Krone, Inc.
4/13/00	Installation Material	117.41		Andrew Corporation
4/13/00	Installation Material	775.80		Andrew Corporation
4/14/00	Installation Material	1,448.16		Andrew Corporation
4/14/00	AZ Switch - Network/Test Equipment	717.09		Capitol cable & technologies
4/14/00	AZ Switch - Outside Plant - Site Prep	3,001.65		ComPlus
4/14/00	AZ Switch - Outside Plant - Site Prep	5,967.23		ComPlus
4/14/00	AZ Switch - Outside Plant/Prof Serv	3,200.00		ComPlus
4/14/00	AZ Switch - Outside Plant/Prof Serv	3,200.00		ComPlus
4/14/00	AZ Switch - Outside Plant/Prof Serv	3,735.00		ComPlus
4/14/00	AZ Switch - Outside Plant/Prof Serv	7,470.00		ComPlus
4/14/00	AZ Switch - Outside Plant/Prof Serv	7,470.00		ComPlus
4/14/00	AZ Switch - Outside Plant/Prof Serv	7,470.00		ComPlus
4/14/00	AZ Switch - Outside Plant/Prof Serv	7,470.00		ComPlus
4/14/00	AZ Switch - Outside Plant/Prof Serv	7,470.00		ComPlus
4/14/00	AZ Switch - Outside Plant/Prof Serv	7,470.00		ComPlus
4/14/00	AZ Switch - Outside Plant/Prof Serv	7,470.00		ComPlus
4/14/00	AZ Switch - Outside Plant/Prof Serv	7,470.00		ComPlus
4/14/00	Installation Labor	4,622.83		elle communications corp
4/14/00	Telecommunications Equipment	6,897.00		Lucent Technologies

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## Schedule 3.8(g) - Sale of Assets and Acquisitions

<u>Invoice Date</u>	<u>Asset Category</u>	<u>Additions</u>	<u>Deletions</u>	<u>Vendor</u>
4/14/00	Installation Labor	23,232.00		Pirtano Construction Company
4/14/00	Installation Material	3,519.00		Pirtano Construction Company
4/14/00	CO Switch - Network/Test Equipment	2,165.95		Teltek Sales, Inc.
4/15/00	CO Switch - TI/Prof'l Services	3,704.98		SWSG
4/17/00	AZ Switch - TI/Labor/Materials	11,918.14		Business Office Systems
4/17/00	Capitalized Labor	4,594.50		compusa corporate
4/17/00	Capitalized Labor	6,111.00		compusa corporate
4/17/00	Capitalized Labor	7,929.00		compusa corporate
4/17/00	Personal Computers	3,636.00		dell
4/17/00	Personal Computers	27,139.49		dell
4/17/00	Leasehold Improvements	6,187.00		elle communication
4/17/00	Installation Labor	2,062.50		new age cable comm
4/17/00	AZ Switch - Sub Elect/Enclosure	34,637.12		Rittal Corporation
4/17/00	Installation Labor	8,954.45		wireless systems
4/18/00	Installation Material	1,448.16		Andrew Corporation
4/18/00	Furniture & Office Equipment	5,490.00		hufcor potomac
4/18/00	Tools	2,001.28		jensen tools
4/18/00	Leasehold Improvements	3,070.00		Total Electric Service, Inc.
4/19/00	AZ Switch - Sub Elect /Other		45.70	Rittal Corporation
4/20/00	AZ Switch - Sub Elect/Enclosure	2,250.00		metals USA
4/20/00	Other PC/LAN		3,831.00	RECL ADVANCED PERSONNEL
4/20/00	Installation Labor	2,601.50		Stansbury/Decker
4/20/00	Installation Material	311.50		Stansbury/Decker
4/21/00	CO Switch - TI - Labor/Mat'ls	2,398.00		ADT Security Services
4/21/00	CO Switch - TI - Labor/Mat'ls	7,815.00		ADT Security Services
4/21/00	Installation Material	3,292.39		Anicom
4/24/00	AZ Switch - Outside Plant/Prof Serv	7,470.00		ComPlus
4/24/00	Capitalized Labor	7,119.00		CompUSA labor invoice
4/25/00	AZ Switch - Sub Elect/Enclosure		808.40	Rittal Corporation
4/27/00	Telecommunications Equipment	4,774.32		Lucent Technologies
4/27/00	AZ Switch - Sub Elect/RCC	12,405.45		Remote Switch Systems, Inc.
4/27/00	Other PC/LAN	4,193.24		Timebridge Technologies, Inc.
4/28/00	AZ Switch - TI/Labor/Materials	10,252.27		ADT Security Services
4/28/00	Installation Material	8,472.88		AML Wireless
4/28/00	AZ Switch - Outside Plant - Site Prep	42,354.86		ComPlus
4/28/00	AZ Switch - Outside Plant - Site Prep	99,373.24		ComPlus
4/28/00	AZ Switch - Outside Plant/Prof Serv	3,200.00		ComPlus
4/30/00	Leasehold Improvements	34,222.83		Business Office Systems
4/30/00	AZ Switch - Outside Plant - Site Prep	3,200.00		ComPlus
4/30/00	AZ Switch - Outside Plant/Prof Serv	2,836.25		ComPlus
4/30/00	Installation Material	621.50		Graybar Electric Co
4/30/00	Leasehold Improvements	348.50		Graybar Electric Co
4/30/00	Other PC/LAN	104,864.99		REC IBM 4/00
4/30/00	AZ Switch - Outside Plant - Site Prep		118.88	Rittal Corporation
4/30/00	AZ Switch - Sub Elect /Other	2,285.00		Rittal Corporation
4/30/00	AZ Switch - Sub Elect/Enclosure	35,445.52		Rittal Corporation
4/30/00	Installation Labor	63.00		Russell Installation Service
4/30/00	CO Switch - TI/Prof'l Services	7,115.80		SWSG
4/30/00	Other PC/LAN	4,995.99		Timebridge Technologies, Inc.
5/1/00	Installation Labor	2,776.61		ComPlus

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## Schedule 3.8(g) - Sale of Assets and Acquisitions

<u>Invoice Date</u>	<u>Asset Category</u>	<u>Additions</u>	<u>Deletions</u>	<u>Vendor</u>
5/1/00	Installation Labor	9,027.00		DJ's Underground Cable Co
5/1/00	Telecommunications Equipment	84,986.61		Lucent Technologies
5/1/00	AZ Switch - Network/Internet	13,425.44		Timebridge Technologies, Inc.
5/2/00	Furniture & Office Equipment	79,800.00		Business Office Systems
5/2/00	AZ Switch - Other	34.96		Graybar Electric Co
5/2/00	Telecommunications Equipment	5,249.17		Lucent Technologies
5/2/00	Installation Labor	875.00		Micronet Communications, Inc.
5/2/00	AZ Switch - Sub Elect/Misc Cabling	412.88		Remote Switch Systems, Inc.
5/2/00	AZ Switch - Sub Elect/RCC	24,142.60		Remote Switch Systems, Inc.
5/2/00	CO Switch - Network/Test Equipment	3,420.00		Sage Instruments
5/2/00	CO Switch - Network/Test Equipment	7,750.00		Sage Instruments
5/3/00	Installation Material	182.91		Andrew Corporation
5/3/00	Installation Labor	767.00		IL Dept of Revenue
5/3/00	Installation Material	219.94		IL Dept of Revenue
5/3/00	Installation Material	706.23		IL Dept of Revenue
5/3/00	AZ Switch - Network/NMS	1,900.00		International Management Consu
5/3/00	CIP - Other	44,480.00		StreamNow
5/4/00	Test Equipment	3,961.48		Graybar Electric Co
5/4/00	AZ Switch - Outside Plant - Site Prep	67.23		Krone, Inc.
5/5/00	CO Switch - Network/GPS	2,196.66		Remote Switch Systems, Inc.
5/8/00	AZ Switch - Network/Internet	18.90		Arizona Dept. of Revenue
5/8/00	AZ Switch - Network/Other	2.10		Arizona Dept. of Revenue
5/8/00	AZ Switch - Network/Other	12.34		Arizona Dept. of Revenue
5/8/00	AZ Switch - Network/Other	23.67		Arizona Dept. of Revenue
5/8/00	AZ Switch - Sub Elect/Enclosure	112.50		Arizona Dept. of Revenue
5/8/00	AZ Switch - Sub Elect/Enclosure	116.54		Arizona Dept. of Revenue
5/8/00	AZ Switch - Sub Elect/Enclosure	1,731.86		Arizona Dept. of Revenue
5/8/00	AZ Switch - Sub Elect/Enclosure	1,731.86		Arizona Dept. of Revenue
5/8/00	AZ Switch - Sub Elect/Enclosure	5,316.83		Arizona Dept. of Revenue
5/8/00	AZ Switch - Sub Elect/Enclosure		60.63	Arizona Dept. of Revenue
5/8/00	AZ Switch - Sub Elect/RCC	3.16		Arizona Dept. of Revenue
5/8/00	AZ Switch - Sub Elect/RCC	3.18		Arizona Dept. of Revenue
5/8/00	AZ Switch - Sub Elect/RCC	607.50		Arizona Dept. of Revenue
5/8/00	AZ Switch - Sub Elect/RCC	1,279.40		Arizona Dept. of Revenue
5/8/00	AZ Switch - TI/Labor/Materials	549.17		Arizona Dept. of Revenue
5/8/00	Other PC/LAN	209.66		Arizona Dept. of Revenue
5/8/00	CO Switch - Network/GPS	586.70		CO Dept. of Revenue
5/8/00	CO Switch - Network/Test Equipment	81.62		CO Dept. of Revenue
5/8/00	Other PC/LAN	293.67		CO Dept. of Revenue
5/8/00	CO Switch - Outside Plant/Prof'l Servic	68,163.75		ComPlus
5/8/00	Installation Material	15.58		Comptroller of the Treasury
5/8/00	Leasehold Improvements	1,572.50		Comptroller of the Treasury
5/8/00	AZ Switch - Sub Elect/Misc Cabling	571.68		Remote Switch Systems, Inc.
5/8/00	AZ Switch - Sub Elect/RCC	30,178.52		Remote Switch Systems, Inc.
5/8/00	CO Switch - Other	1,865.29		Telco Systems
5/8/00	Leasehold Improvements	155,999.36		wire for leasehold improvement
5/9/00	AZ Switch - Outside Plant - Site Prep	67.23		Krone, Inc.
5/9/00	AZ Switch - Outside Plant - Site Prep	5,778.73		Krone, Inc.
5/10/00	CO Switch - TI - Labor/Mat'ls	16,880.61		Business Office Systems
5/10/00	Leasehold Improvements	14,652.55		Elle Communications Corp

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## Schedule 3.8(g) - Sale of Assets and Acquisitions

<u>Invoice Date</u>	<u>Asset Category</u>	<u>Additions</u>	<u>Deletions</u>	<u>Vendor</u>
5/10/00	AZ Switch - TI/Labor/Materials	342.15		J&D Electric Inc.
5/10/00	AZ Switch - TI/Labor/Materials	950.00		J&D Electric Inc.
5/10/00	AZ Switch - Outside Plant - Site Prep	1,992.48		Krone, Inc.
5/10/00	AZ Switch - Outside Plant - Site Prep	2,184.60		Krone, Inc.
5/10/00	AZ Switch - Outside Plant - Site Prep	3,820.71		Krone, Inc.
5/10/00	AZ Switch - Outside Plant - Site Prep	4,429.36		Krone, Inc.
5/11/00	Other PC/LAN	16,512.06		Dell
5/12/00	AZ Switch - Outside Plant - Site Prep	2,183.93		Krone, Inc.
5/12/00	AZ Switch - Sub Elect/Misc Cabling	666.96		Remote Switch Systems, Inc.
5/12/00	AZ Switch - Sub Elect/RCC	14,107.42		Remote Switch Systems, Inc.
5/12/00	CIP - Other	9,690.00		StreamNow
5/15/00	AZ Switch - Outside Plant - Site Prep	6,511.87		Krone, Inc.
5/15/00	AZ Switch - Outside Plant - Site Prep	6,927.58		Krone, Inc.
5/15/00	AZ Switch - TI/Prof'l Services	3,767.46		SWSG
5/15/00	CO Switch - TI/Prof'l Services	1,456.46		SWSG
5/15/00	GA Switch - TI/Prof'l Services	655.41		SWSG
5/16/00	AZ Switch - Network/Internet	11,635.20		BadgerClaw, Inc.
5/16/00	CO Switch - Network/Internet		600.00	BadgerClaw, Inc.
5/16/00	AZ Switch - Outside Plant - Site Prep	4,115.76		Krone, Inc.
5/16/00	AZ Switch - Outside Plant - Site Prep	6,173.64		Krone, Inc.
5/16/00	AZ Switch - Outside Plant - Site Prep	11,763.15		Krone, Inc.
5/16/00	AZ Switch - Sub Elect/RCC	571.68		Remote Switch Systems, Inc.
5/16/00	AZ Switch - Sub Elect/RCC	666.96		Remote Switch Systems, Inc.
5/16/00	AZ Switch - Sub Elect/RCC	12,148.22		Remote Switch Systems, Inc.
5/17/00	AZ Switch - Outside Plant - Site Prep	1,929.90		Krone, Inc.
5/17/00	AZ Switch - Outside Plant - Site Prep	1,956.90		Krone, Inc.
5/17/00	AZ Switch - Outside Plant - Site Prep	9,075.36		Krone, Inc.
5/17/00	AZ Switch - Sub Elect/Misc Cabling	920.08		Remote Switch Systems, Inc.
5/18/00	AZ Switch - Other	53.28		Graybar Electric Co
5/18/00	AZ Switch - Outside Plant - Site Prep	82.46		Krone, Inc.
5/18/00	AZ Switch - Outside Plant - Site Prep	82.46		Krone, Inc.
5/18/00	AZ Switch - Outside Plant - Site Prep	143.79		Krone, Inc.
5/18/00	AZ Switch - Outside Plant - Site Prep	183.04		Krone, Inc.
5/18/00	AZ Switch - Outside Plant - Site Prep	212.73		Krone, Inc.
5/18/00	AZ Switch - Outside Plant - Site Prep	698.56		Krone, Inc.
5/18/00	AZ Switch - Outside Plant - Site Prep	6,999.51		Krone, Inc.
5/18/00	AZ Switch - Outside Plant - Site Prep	7,611.45		Krone, Inc.
5/19/00	AZ Switch - Outside Plant - Site Prep	391.38		Krone, Inc.
5/19/00	AZ Switch - Outside Plant - Site Prep	2,794.24		Krone, Inc.
5/19/00	AZ Switch - Sub Elect/RCC	18,254.10		Remote Switch Systems
5/22/00	AZ Switch - Outside Plant - Site Prep	123.89		Krone, Inc.
5/22/00	AZ Switch - Outside Plant - Site Prep	148.40		Krone, Inc.
5/22/00	AZ Switch - Sub Elect/RCC	14,081.18		Remote Switch Systems, Inc.
5/25/00	AZ Switch - Sub Elect/RCC	12,222.34		Remote Switch Systems
5/26/00	AZ Switch - Sub Elect/RCC	8,138.06		Remote Switch Systems
5/31/00	AZ Switch - Network/Internet	671.27		Arizona Dept. of Revenue
5/31/00	AZ Switch - Network/NMS	95.00		Arizona Dept. of Revenue
5/31/00	AZ Switch - Network/Test Equipment	35.26		Arizona Dept. of Revenue
5/31/00	AZ Switch - Other	4.41		Arizona Dept. of Revenue
5/31/00	AZ Switch - Outside Plant - Site Prep	3,694.94		Arizona Dept. of Revenue

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## Schedule 3.8(g) - Sale of Assets and Acquisitions

<u>Invoice Date</u>	<u>Asset Category</u>	<u>Additions</u>	<u>Deletions</u>	<u>Vendor</u>
5/31/00	AZ Switch - Sub Elect/Misc Cabling	49.38		Arizona Dept. of Revenue
5/31/00	AZ Switch - Sub Elect/RCC	4,761.93		Arizona Dept. of Revenue
5/31/00	AZ Switch - TI/Labor/Materials	47.50		Arizona Dept. of Revenue
5/31/00	Capitalized Labor	355.95		Arizona Dept. of Revenue
5/31/00	Furniture & Office Equipment	313,742.26		Business Office Systems
5/31/00	Furniture & Office Equipment	713,452.96		Business Office Systems
5/31/00	Furniture & Office Equipment	10,609.00		Business Office Systems
5/31/00	Leasehold Improvements	17.33		Comptroller of the Treasury
5/31/00	Leasehold Improvements	1,290.29		Comptroller of the Treasury
5/31/00	AZ Switch - Outside Plant - Site Prep	157.10		Krone, Inc.
5/31/00	AZ Switch - Outside Plant - Site Prep	157.10		Krone, Inc.
5/31/00	Other PC/LAN	277,570.88		Rec IBM W/T 5/00
5/31/00	Other PC/LAN	82,557.92		Rec IBM Wire 5/00
5/31/00	CIP - Other	13,800.00		StreamNow
5/31/00	AZ Switch - TI/Prof'l Services	35.00		SWSG
5/31/00	AZ Switch - TI/Prof'l Services	651.38		SWSG
5/31/00	AZ Switch - TI/Prof'l Services	37,303.96		SWSG
5/31/00	GA Switch - Power/Generator	108,749.30		SWSG
5/31/00	GA Switch - TI/Labor/Materials	61,502.67		SWSG
5/31/00	GA Switch - TI/Prof'l Services	2,478.85		SWSG
5/31/00	GA Switch - TI/Prof'l Services	4,847.15		SWSG
5/31/00	GA Switch - TI/Prof'l Services	26,502.07		SWSG
6/1/00	Installation Material	712.14		Blonder Tongue
6/1/00	Installation Material	6,322.74		Blonder Tongue
6/1/00	Installation Material	8,810.60		Blonder Tongue
6/1/00	Installation Material	14,647.34		Blonder Tongue
6/1/00	Installation Material		2,923.30	Blonder Tongue
6/1/00	Furniture & Office Equipment	11,036.02		Evans
6/1/00	Leasehold Improvements	178.75		SWSG
6/1/00	Leasehold Improvements	867.50		SWSG
6/1/00	Leasehold Improvements	2,042.55		SWSG
6/1/00	Leasehold Improvements	3,243.63		SWSG
6/1/00	Leasehold Improvements	8,234.31		SWSG
6/1/00	Leasehold Improvements	35,818.99		SWSG
6/1/00	Leasehold Improvements	66,740.26		SWSG
6/1/00	Leasehold Improvements	137,897.91		SWSG
6/1/00	Leasehold Improvements	194,954.65		SWSG
6/2/00	AZ Switch - Network/NMS	210.00		Telect
6/2/00	Installation Labor	19,800.00		Terra Communications
6/5/00	Installation Labor	58.63		IL Dept of Revenue
6/5/00	Installation Material	524.98		IL Dept of Revenue
6/9/00	AZ Switch - Network/Internet	29,251.20		BadgerClaw, Inc.
6/12/00	CO Switch - Network/Test Equipment	422.36		CO Dept. of Revenue
6/12/00	CO Switch - TI/Prof'l Services	196.14		CO Dept. of Revenue
6/15/00	CO Switch - TI - Labor/Mat'ls	1,689.46		Business Office Systems
6/16/00	Leasehold Improvements	659.37		Va Dept. of Taxation
6/16/00	Telecommunications Equipment	214.84		Va Dept. of Taxation
6/19/00	CIP - Other	19,940.36		StreamNow
		<u>\$4,264,154.16</u>	<u>\$9,800.51</u>	
	<b>Q2 Capital Purchases to Date</b>		<b>\$4,254,553.65</b>	

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**Schedule 3.8(h) – Issuance of Equity Interests**

Pursuant to the stock purchase agreement dated May 2, 2000, Company issued 19,570 common shares to Bell Atlantic Investments, Inc. in exchange for \$5,000,001. Additionally, Bell Atlantic Investments, Inc. received the right to acquire up to an additional 2% of the common equity of Company in the event certain future funding thresholds are not achieved.

Pursuant to the stock purchase agreement dated as of May 16, 2000, Company issued 10,075 common shares to Ventures in Communications II, LLC in exchange for \$2,574,000.

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**Schedule 3.8(m) – Grant of Intellectual Property Rights**

21<sup>st</sup> Century Cable TV of Chicago Inc. is authorized to use the chi.onepointcom.com subdomain name for a period of 12 months from the Closing date for existing data customers acquired pursuant to the Asset Purchase Agreement referenced in Schedule 3.8(g).

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**Schedule 3.8(n) –Transfer of FCC Rights**

The transfer of FCC Microwave Licenses is in progress in connection with the sale of the video and other related assets of OnePoint Communications-Illinois, LLC to 21<sup>st</sup> Century Cable TV of Chicago, Inc.

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**Schedule 3.11 – Certain Agreements**

2% investment fee payable to the VenCom Group, Inc. pursuant to the Professional Services Agreement dated 5/15/98 upon consummation of the merger

Unitholder Agreements made as of November 23, 1999 between OnePoint Services, LLC and:

Oscar Aguiar, Jr.  
James A. Silva  
Nancy Sokolowski

- Certain Restricted Common Units which remain subject to complete divestiture will be released from such divestiture provisions upon the change of ownership of more than 51% of OP stock.

Employment and Unitholder Agreements made as of November 23, 1999 between OnePoint Services, LLC and:

Al Moschner  
Tim Ostrowski

- Upon a change of control of OP, certain Restricted Common Units may be converted to common shares in OP, upon written request, at a conversion based on the value ratio between OP and OnePoint Services, LLC determined by a fair market valuation performed by an independent third party selected by OP.
- Upon a change of control in OP, Mr. Moschner shall be deemed authorized pursuant to the OnePoint Services, LLC Operating Agreement to transfer (subject to each transferee entering into a Unitholder Agreement as required by the Operating Agreement and the Manager) 14,000 common units to Mark Moore and 11,500 common units to Bernie Strom.

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**Schedule 3.12(a) – Plans****OnePoint Communications Corp.****Deferred Compensation**

- OnePoint Communications Stock Appreciation Rights Plan

**Incentive Compensation Plans:**

- Sales Representative
- Sales Manager
- Business Development Manager/Director
- Customer Care Representative
- Collections
- Inside Sales
- Management Bonus Plan
- Right of Entry Assignment and Renewal Incentive Plan for John Kubacki in connection with sale of assets of OnePoint Communications-Illinois, LLC to 21<sup>st</sup> Century Cable TV of Chicago, Inc.

**Welfare Plans**

- Medical/Dental
- Short Term Disability
- Long Term Disability
- Life Insurance
- Accidental Death & Dismemberment
- Flexible Spending Account

**Pension Plans**

- OnePoint Communications 401(k) Savings Plan & Trust
- No defined Benefit Plans

**Severance**

- No formal severance policy

**OnePoint Services****Deferred Compensation**

- Unit Option Plan

**Incentive Compensation Plans**

- Sales

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